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UNCLAS SECTION 01 OF 10 TEGUCIGALPA 000584

SIPDIS

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DHS FOR DEPUTY SECRETARY JACKSON  
SOUTHCOM FOR ADMIRAL STAVRIDIS  
STATE FOR WHA, WHA/CEN, WHA/PPC, H, PM, INL, AND EB

E.O. 12958: N/A

TAGS: [OVIP](#) [PREL](#) [PGOV](#) [ECON](#) [MOPS](#) [SNAR](#) [PTER](#) [SOCI](#) [HO](#)  
SUBJECT: HONDURAS SCENESETTER FOR DHS DEPUTY SECRETARY  
JACKSON

¶1. (SBU) Summary: After 15 months in office, the Honduran President, Jose Manuel "Mel" Zelaya Rosales, faces the difficult task of leading one of the poorest countries in Latin America. Bilateral relations between the U.S. and Honduras are excellent. Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras also volunteered to be the first country to host a U.S. Coast Guard port security evaluation. Honduras' support for the Global War on Terrorism is steadfast. Honduras also voted for the U.S.-drafted UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April 2005.

¶2. (SBU) Honduras faces many challenges, including corruption, unemployment, high levels of violent crime, a highly skewed distribution of income, and a weak judicial system. Despite these challenges, there were several positive developments in the Honduran economy in 2006, including: receipt of over USD 3 billion in debt relief under the Heavily Indebted Poor Countries (HIPC) program, and entry into force of the U.S.-Central American Free Trade Agreement (CAFTA) with the United States on April 1, 2006. In June 2005, the Millennium Challenge Corporation (MCC) approved USD 215 million in funding over five years for a Honduran-drafted proposal focusing on highway infrastructure and integrated rural development. Honduras was one of the first countries in the world to sign an MCC Compact, and the first disbursement took place in CY 2006. Despite historically high energy prices in 2006, Honduras also maintained single-digit inflation rates and an estimated 5.5 percent growth in GDP in ¶2006.

¶3. (SBU) President Zelaya's record of accomplishments after one year in office is mixed. Zelaya is actively seeking development and international investment. However, security is the primary concern of a majority of Hondurans as the murder rate is consistently one of the highest in the Western Hemisphere. The Honduran Minister of Security is slowly reforming the nation's law enforcement units and creating programs to confront organized crime, drug trafficking, and gangs. The high rate of violence will continue to bedevil the Zelaya administration for the rest of its term. Zelaya still has to confront the major challenges: the high rate of poverty, high disparity in income distribution, lack of

employment opportunities, poor education system, an ineffective and corrupt judicial system, and the continual threat of transnational crime, including the smuggling of drugs, arms and people. Despite those challenges, Zelaya remains popular with the electorate with an approval rating in the high 60s. End Summary.

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Key Strategic Themes in Bilateral Relationship  
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¶4. (SBU) Key strategic themes in our bilateral diplomatic efforts in Honduras are: the rule of law and governance (including democratic institutions), regional security (including transnational crime), economic development to reduce poverty (through trade and investment, and investment in human resources), and assistance to American citizens and businesses. Overarching these goals is an emphasis on good governance and attacking corruption (a focus that Zelaya says he shares) as fraud, waste, abuse and the ineffective administration of justice hamper progress in all these areas. The USG goals coincide with Zelaya's emphasis on public security, rule of law, economic development, environment and natural resources (including the prevention of natural disasters).

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What Does the Zelaya Administration Mean for the USG?  
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¶5. (SBU) While Zelaya is a friend of the USG, his personality, administration, and populist policies have made working with him a challenge. The Zelaya administration has provided some opportunities for forward progress, and few

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changes that could have a significant negative impact on U.S. interests. His victory resulted in a complete upheaval of the GOH as Liberal Party political appointees replaced National Party political appointees at senior, mid-level, and even lower-level positions. Zelaya won on a platform of "Citizen Power" and the plan of achieving a smaller central government with more power at the local level, but his first year in office has seen a consolidation of power in his hands and those of several close advisors. He claims to favor government transparency, and signed into law in 2006 a transparency bill to promote public access to information.

¶6. (SBU) Zelaya's long-term international strategy is based on the theme of economic and political integration with surrounding countries. Zelaya sees the integration of Central America as the only viable means Honduras has to meet the increasing demands of globalization. The unification of Central America is not a new idea, dating back to Honduras' independence from Spain. However, with consideration of the CAFTA proposal, it has recently resurfaced as an issue of increasing importance. Zelaya has emphasized that integration is an issue of prominence to him, suggesting not only economic, but also political cooperation in other areas. In addition to integrating and increasing cooperation with neighboring countries, Zelaya intends to develop and strengthen relationships with other countries in the Western Hemisphere and overseas that are important to Honduras' national interests.

¶7. (SBU) While Zelaya has not declared what specific public security measures he will set in place, he has made clear that he holds an entirely different approach to the gang problem than the Maduro Administration before him. Instead of focusing on increasing punishments and penalties for crimes, the Liberal Party's Government Plan provides three areas where the administration will focus their efforts: prevention, enforcement, and rehabilitation.

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Deployment of Honduran Armed Forces (HOAF) in Support of USG  
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¶8. (SBU) In recent years, the GOH has supported U.S. foreign policy goals, including the reconstruction of Iraq. In support of Operation Iraqi Freedom (OIF), the GOH deployed 370 troops to the vicinity of An Najaf as part of the Spanish Brigade operating under the Polish Division. Secretary Powell, CJCS GEN Myers, and Secretary Rumsfeld all visited Honduras in 2003 to thank the GOH for its support of OIF. As in most of the region, however, the general public overwhelmingly opposed the Honduran deployment and in late April 2004, Honduras withdrew its troops. The GOH stated this decision was based on a U.S. request that Honduras consider expanding its troops' mandate in Iraq to participate in offensive combat operations. The GOH believed that the National Congress would not have authorized such a change in the rules of engagement. The GOH committed itself to deploying some troops to Haiti in support of the UN peacekeeping operations there, possibly via the Conference on Central American Armed Forces (CFAC), but has yet to do so. Honduras supports the United States at the UN, sharing our views on resolutions covering such key issues as human rights, human cloning, and the Middle East. Honduras introduced a UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April 2004, and voted for the U.S.-drafted UNCHR resolution on Cuba, which passed in April ¶2005.

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Bilateral Political/Military Issues  
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¶9. (SBU) Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras has a civilian Minister of Defense and a Chief of the Joint Staff who heads the Honduran Armed Forces (HOAF). In January of 1999, the constitution was amended to abolish the position of a military commander in

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chief of HOAF, thus codifying civilian authority over the military. Civilian control over the HOAF is complete and civil/military relations are good. This transition has resulted in greater transparency and fiscal accountability. The HOAF has a new focus on transnational threats, including counterterrorism, arms and drug trafficking, and combating international criminal organizations. The HOAF is interested in increasing its ability to participate in international peacekeeping operations, and the HOAF has been participating in numerous joint exercises with U.S. forces. Honduras has taken the lead in a number of regional initiatives to enhance cooperative security against emerging transnational threats. Honduras hosted and participated in a joint disaster relief training operation with U.S. military forces last year and a series of joint US/Honduran exercises (Horizons 06). During New Horizons, the two militaries worked together to construct clinics and schools to serve the Honduran poor.

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Counterterrorism Cooperation  
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¶10. (SBU) The GOH has responded quickly to all USG requests regarding terrorist threats and financing, although no terrorist assets have been found in Honduran financial institutions to date. Honduras is a party to all UN and OAS counterterrorism conventions and protocols and has also been aggressive in upgrading port security.

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Counternarcotics Issues  
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¶11. (SBU) Honduras is a transit country for shipments of cocaine flowing north from South America, predominantly by sea. USG and Honduran counternarcotics police and military

units actively monitor the transshipment of drugs through the country via air, land and sea routes. The GOH cooperates with the USG in investigating and interdicting narcotics trafficking. Honduras was a major participant in Operation All Inclusive, a USG interagency counternarcotics operation. The operation was a regional counternarcotics initiative directed at major trafficking organizations exploiting the countries of Mexico and Central America. With the participation of the Honduran Navy under the Bilateral Maritime Agreement, U.S. Coast Guard assets searched Honduran flagged vessels and seized over 6,636 kg of cocaine at sea in ¶12006. The traffickers were then sent to the U.S. for prosecution. In other actions, counternarcotics forces seized 736 kg of cocaine, 807 kg of marijuana, and arrested 403 people. The GOH continues to cooperate in initiating electronic telephone intercepts with the help of DEA, which resulted in the dismantling of drug transportation organizations operating throughout Central America and Mexico.

¶12. (SBU) The GOH cooperates with the U.S. in investigating and interdicting narcotrafficking but faces significant obstacles in funding, a weak judicial system with heavy caseloads, lack of coordination, and inadequate leadership. President Zelaya continues to attack corruption, and measures have been implemented to polygraph special investigative units. Honduras is a party to the 1988 UN Drug Convention.

¶13. (SBU) President Zelaya and his new administration took office in January 2006 vowing to take stronger measures against crime and drugs, promising stronger international cooperation, and an increase in the number of national police. President Zelaya requested USG assistance with a plan of action to reorganize the National Police and the Honduran law enforcement counter narcotics efforts. The DEA prepared and presented a plan of action to the President. The Honduran Congress hopes to consider this plan, which also includes reforms to the Police Organic Law, before the end of the year.

¶14. (SBU) The Drug Enforcement Administration continues to work closely with the International Narcotics and Law

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Enforcement (INL) supported counternarcotic Special Vetted Unit to gather sensitive narcotics intelligence that is then passed on to other Honduran law enforcement agencies. The unit also develops and provides investigative leads that are disseminated to US law Enforcement entities in the US. These leads have resulted in US criminal indictments of Honduran Nationals responsible for transporting cocaine destined for the US. The unit enforcement efforts target the Drug Trafficking Organizations (DTO,s) that are exploiting Honduras in furtherance of their criminal enterprises. The Special Vetted Unit has been the GOH,s instrumental force in the dismantling and disruption of the DTO,s in Honduras. In 2006, the unit developed and implemented a biometric data base of gang members who were repatriated back to Honduras from the United States, as well as all gang members currently incarcerated in the Honduran prison system.

¶15. (SBU) The number of drug-related arrests at Honduras' borders continues to rise as a result of road interdiction operations by the Frontier Police and the Policia Preventiva. A criminal database to organize information is under development and has already produced positive results. Prosecution is less successful. Judicial corruption and inefficiency, coupled with overwhelming case loads, is a serious problem. In addition, funding constraints hamper the Public Ministry's ability to investigate and prosecute drug cases.

¶16. (SBU) Intelligence indicates that the flow of drugs through Honduras has increased. Remote areas, such as the Department of Gracias a Dios, are a natural safe haven for the traffickers, offering an isolated area to refuel maritime

assets, effect boat-to-boat transfers, or off-load onto land for continued ground transportation.

¶17. (SBU) GOH maritime drug interdictions have been successful in apprehensions and arrests of persons, as well as the seizure of maritime vessels involved in the transportation of drugs. Several vessels have been seized and forfeited to the GOH because of USG assistance. GOH law enforcement agencies have intercepted shipments of weapons, which they suspect are intended to be exchanged for drugs with Colombian drug dealers.

¶18. (SBU) South American cocaine destined for the United States flows through Honduras by land air and sea. Suspect aircraft tracks have decreased since the surge reported in ¶2003. DEA suspects that heroin is being transported through Honduras to the United States.

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Anti-Corruption  
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¶19. (SBU) Honduras remains one of the most corrupt countries in the Western Hemisphere and was recently ranked 121 (ten places below Nicaragua) out of 163 countries surveyed by Transparency International (an NGO that tracks international corruption issues). Only Ecuador, Haiti, and Venezuela scored lower in the Western Hemisphere. U.S. policy against corruption has struck a nerve here, especially any mention of our 212(f) visa revocation authority. The Director of Immigration, Ramon Romero, was arrested on May 1, 2005 for his alleged role in a corruption/fraud scandal involving the illegal sale of valid Honduran passports, visas, and residency documents to third country nationals. On May 2, 2005, the Minister of Government and Justice fired 71 Immigration employees and transferred another 37. However, the problem within Immigration and the control over Honduran identity documents is still a major concern, and GOH actions have not been sufficient to address the pervasive corruption. This is most evident in the ongoing judicial proceeding regarding ex-director Romero, which continues to proceed at an agonizingly slow pace. Procedural problems at the Public Ministry (Attorney General and prosecutors) and lack of resources contribute to the GOH's limited ability to take significant action against high-level corrupt individuals. Given the scope of the problem, any public discussion about

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the country's pervasive corruption is a positive development.

¶20. (U) The GOH passed two important laws that aid in the fight against corruption: the Transparency Law will give public access to more of the government's dealings and allow the public to obtain information about ministries and agencies; and the new Civil Procedure Code will speed up the judicial process and allow for public oral arguments in civil courts, which have historically been nontransparent.

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Port Security  
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¶21. (U) Puerto Cortes is one of only a handful of Container Security Initiative (CSI) and Megaports facilities in the Western Hemisphere. It is the 37th largest trading port with the U.S. by volume, according to U.S. Customs and Border Patrol (CBP). Approximately 41 percent of all Honduran exports are destined for the U.S. (75 percent of which transit Puerto Cortes), and significant import-for-re-export containerized traffic also occurs, largely to feed the booming Honduran maquila sector. The GOH met the International Maritime Organization's July 1, 2004 deadline to certify its ports under the new, more stringent port security standards of the International Ship and Port Facility Security Code (ISPS) and Maritime Transportation Security Act of 2002. Puerto Cortes is the largest port on



the Caribbean side of the Central American isthmus and currently provides container service to the U.S. market, not just for Honduran exports, but also for goods from Guatemala, El Salvador, and Nicaragua.

¶22. (U) The GOH hosted a successful visit (the first in the Western Hemisphere) of a U.S. Coast Guard (USCG) port security program team in June 2004. The team came to assess Honduras' implementation of the ISPS and reported that it had identified several very innovative and efficient security practices that it would carry back to the port facilities in the U.S. as "best security practices". CBP office space at Cortes was completed, and the CSI offices opened in mid-2006.

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Public Security/Human Rights  
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¶23. (U) The security situation in Honduras requires a high degree of caution. Street crime is a principal concern, with thefts, including purse-snatching, pick-pocketing, and armed robberies occurring in urban and rural areas. There have also been incidents of armed carjackings and kidnappings. Violent crime, particularly homicides and various gang-related crimes, continues at a high rate. Public support for forceful government actions remains strong, although the military's enthusiasm for joint police/military patrols has begun to erode amidst speculation that the joint operations have negatively affected military readiness. The Regional Security Office (RSO) works closely with local authorities on various law enforcement issues and assists U.S. law enforcement with leads in Honduras.

¶24. (SBU) While the Zelaya administration can claim some credit for a small reduction in the number of violent deaths in Honduras, the country remains one of the most dangerous places in the Western Hemisphere. According to official Honduran figures, the country has a murder rate of 23.1 per 100,000 inhabitants (compared to the average murder-rate worldwide of 8.8). Eight Hondurans are murdered on average every day out of a population of only 7 million. The police estimate that over half the murders can be attributed to the youth gangs that claim over 36,000 members in Honduras. To combat the waves of violence that sweep the country, Zelaya ordered the HOAF to assist the national police in patrolling the worst crime areas and manning checkpoints throughout the country in search of criminals and illegal arms. These joint patrols have been effective in reducing the crime rate but have negatively affected military readiness. The USG is assisting the HOAF to train special military police units to

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aid law enforcement. The USG is also helping to improve the training of the police, increase counternarcotics efforts, create a nationwide communication system for the sharing of criminal information, assist the Frontier Police, and improve prosecutorial and forensic capabilities. Nevertheless, public opinion surveys reveal that most Hondurans fear the police and believe the police themselves are involved in crime. A new Police Organic Law currently under review by the Honduran Congress will substantially reform the organization of the national police and give the Minister of Security sufficient authority to purge the police of its corrupt elements.

¶25. (SBU) Extrajudicial killings, especially of children and young adults since 1998, have been a source of serious concern. Only recently has the GOH begun to take steps to investigate the hundreds of unsolved cases. Human rights groups regularly accuse former security force officials and the business community of colluding to organize "death squads" to commit these summary and arbitrary executions. There have been multiple large scale deaths in the national penitentiaries in the last several years. While many have been due to fires or other inmates, the GOH has prosecuted some of its prison personnel and has been found negligent in its responses and preventative measures.

¶26. (SBU) While Honduran labor law is deficient in some areas with respect to International Labor Organization core conventions, effective enforcement of existing laws remains the main issue for the protection of labor rights, including freedom of association and collective bargaining. There are serious problems with child labor in several industries, particularly melon, coffee, and sugar cane (but not in the maquila sector), as well as in the informal economy. Trafficking of women and children for commercial sexual exploitation in the U.S., Central America, and Mexico continues. USAID and Peace Corps have both been involved in HIV/AIDS prevention, as Honduras has the highest rate of HIV/AIDS in Central America.

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Soto Cano Air Base - JTF Bravo  
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¶27. (U) Approximately 575 U.S. service men and women, 12 civilian DOD employees, and 62 Locally Employed Staff (Hondurans) are currently stationed at Honduras, Soto Cano Air Base under the command of the Combatant Commander, U.S. Southern Command, as Joint Task Force Bravo (JTF-B). JTF-B has responsibility for interagency operations and supporting contingency operations such as disaster relief, humanitarian assistance, search and rescue operations, joint and combined training exercises, and counternarcotics operations in the assigned geographical area. In 1954, the USG and GOH signed a Bilateral Military Assistance Agreement that set forth their intention to work closely together to foster peace and security in the Western Hemisphere.

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Relations With Neighboring Countries  
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¶28. (U) Honduras is resolving its long-standing land border dispute with El Salvador, but the two countries are engaged in a diplomatic dispute over the possession of Isla Conejo (Rabbit Island), a very small island in the Gulf of Fonseca. Arguments over the exact location of the Honduras-El Salvador border have simmered for years resulting in the short-lived "Soccer War" of 1969. In 1992, the International Court of Justice (ICJ) issued a ruling that demarcated the land border. With technical assistance provided by the USG and other countries, Honduras and El Salvador have worked together to delineate the border, and the work is expected to finish in 2008. However, El Salvador used the ICJ ruling to claim Isla Conejo, a 4-hectare rock located only 600 meters from the Honduran coast. Both countries claimed their national sovereignty was at stake, but the matter eventually cooled, and diplomats from both countries are working to resolve the dispute.

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¶29. (U) The economic relationship between Honduras and El Salvador is growing despite the territorial disputes. The two countries are working together to construct a hydroelectric dam that will provide power to both countries, and with the help of funds from MCC, they are constructing a modern road that will allow El Salvador to send its goods to the Honduran ports on the Caribbean.

¶30. (U) On the other side of the country, Honduras and Nicaragua have a long-standing dispute over their respective maritime boundaries. Honduras claims the 15th parallel as the dividing line, and that their maritime border extends due east from the mouth of the Rio Coco that separates the two countries. Nicaragua claims its territory extends at an angle from the mouth of the Rio Coco up to the 17th parallel, thus giving Nicaragua claims on a number of small islands and control over a suspected resource-rich region. The matter was referred to the ICJ and final oral arguments were presented in March. A ruling is not expected for several years.

131. (SBU) The election of Daniel Ortega in Nicaragua was not cause for alarm but only caution on the part of the GOH. Ortega,s claims that he has changed from the 1980s and that he will fully support CAFTA and free trade in the area were well-received by the GOH. However, second thoughts are arising as Ortega welcomes aid from Cuba, Venezuela, and Iran. The GOH is neither embracing nor shunning the Ortega administration.

132. (SBU) Honduras restored relations with Cuba in 2002 after a 40-year break but only recently actively engaged the Cuban government. The Honduran Foreign Minister visited Cuba in October 2006 to sign agreements of friendship and to commence negotiations regarding a maritime boundary. The Cuban Foreign Minister returned the favor and visited Honduras in early March when he promised more medical and education assistance. Cuba has a good reputation in Honduras, which began in 1998 when the Government of Cuba sent doctors to help Honduras recover from the devastation of Hurricane Mitch. Since then, Cuba has maintained a brigade of 300 doctors that provide medical assistance to the poor. Cuba continues to donate medical supplies and offer scholarships for Honduran medical students. The Cuban Foreign Minister,s visit prompted Zelaya to name Honduras, first ambassador to Cuba in over 40 years.

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Economic Overview  
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133. (SBU) Honduras, with a per capita income of approximately USD 1000, is the fifth poorest country in the Western Hemisphere. The economy grew at a rate of 5.5 percent in 2006, but over the past several decades has grown at an average rate only slightly higher than population growth. Social indicators are improving, but two-thirds of all Hondurans live in poverty, and average education levels are very low. While in the past there has been some agricultural diversification (melons, cultivated shrimp, palm oil), there continues to be a large subsistence farmer population with few economic opportunities (other than illegal immigration to the U.S.). This is exacerbated by the Zelaya administration's shift in agricultural policy from one of diversification for value-added export to one of subsidizing non-competitive basic grains production. Remittances from Hondurans living abroad, mostly in the United States, grew explosively from USD 1.14 billion in 2004, to USD 1.5 billion in 2005, to an estimated USD 2.3 billion in 2006, which is the equivalent of nearly 30 percent of Honduras' gross domestic product. Remittances have far surpassed the maquila sector and all other exports as the country's largest source of foreign exchange earnings.

134. (SBU) The U.S. is Honduras' largest trading partner, with two-way trade in goods of \$7 billion dollars in 2006. The roughly 150 U.S. companies that do business in Honduras constitute the largest block of foreign direct investors. One of the major magnets for foreign investment is the apparel

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assembly (maquila) sector, which grew dramatically in the 1990s, reaching then-peak employment in 2000 of about 120,000 people. Activity slowed due to increased competition from Asia and also in response to the 2001-2002 U.S. economic slowdown. The sector rebounded from 2003 through 2005 and exceeded pre-downturn levels, with employment now at 130,000 jobs. However, weak policies and physical and juridical insecurity have frightened some investors, resulting in a 10 percent drop in foreign direct investment in the maquila sector in 2006, despite CAFTA.

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The Importance of CAFTA  
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135. (SBU) On March 3, 2005, the Honduran Congress approved



the U.S.-Central American Free Trade Agreement (CAFTA) by an overwhelming margin. The agreement was negotiated in 2003 and 2004 among the United States, Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, and the Dominican Republic. All countries except for Costa Rica have now ratified the agreement. The agreement entered into force with Honduras on April 1, 2006. CAFTA was supported by not only the outgoing then-ruling National Party, but also by the incoming then-opposition Liberal Party and two of the smaller parties in Congress (PINU and CD) as well. The agreement has been opposed by some NGOs, labor unions, and peasant (campesino) groups, who are concerned that small-scale Honduran farmers will be unable to compete with subsidized U.S. agricultural products.

136. (SBU) Zelaya's team worked hard to bring CAFTA into force, but has done little since then to take advantage of the opportunities for economic growth offered by the agreement. Key reforms in energy, telecommunications, and other sectors remain stalled, and policies favoring price controls and state intervention have weakened the investment climate. The agreement is considered to be absolutely vital to the survival of the textile and apparel sector in Honduras now that worldwide quotas have been eliminated. It is estimated that in 2006 Honduras received only USD 175 million in new foreign investment, most of it from the United States, down from USD 195 million in 2005. The agreement's agricultural chapter liberalizes agricultural trade gradually while protecting Honduran farmers from sudden disruptions caused by subsidized imports. The agreement also hopes to spur modernization in government procurement and services and encourage GOH structural reforms in areas such as telecommunications.

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Millennium Challenge Account (MCA) Program  
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137. (U) Following a consultative proposal evaluation process, in June 2005 Honduras signed a 5-year, USD 215 million Millennium Challenge Compact with the Millennium Challenge Corporation (MCC). The Compact aims to reduce poverty and promote growth by increasing the productivity and business skills of farmers who operate small and medium-sized farms and by reducing transportation costs between production centers and national, regional and global markets. To accomplish these two objectives, the Compact is investing in a Rural Development Project and a Transportation Project. The goal of the Compact is to increase Honduras' annual income by an estimated USD 69 million by the end of the Compact term in 2010. Under the Rural Development Project, hundreds of small/medium farmers have begun receiving intensive technical assistance in the production and commercialization of high-value agricultural crops. In the Transportation Project, a specialized international project manager is reviewing final designs for upgrades to the country's main highway and is working with MCA-Honduras to evaluate proposed improvements to secondary and tertiary roads. Construction in the Transportation Project is expected to begin in late 2007-early 2008. The Honduran entity responsible for the implementation of the program (MCA-Honduras) has been established and is managing the

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ongoing activities in each project. The MCC resident mission is working with MCA-Honduras to successfully execute the program.

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IMF Agreement and Debt Relief  
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138. (U) In April 2006, the International Monetary Fund (IMF) was unable to certify GOH compliance with its Poverty Reduction and Growth Facility (PRGF), based largely on concerns about new fiscal policies that loosened fiscal

discipline and significantly augmented public sector wages. The PRGF agreement stalled and eventually expired in February 2007. At present Honduras has no formal agreement in place with the IMF. Owing largely to strong macroeconomic performance in previous years, in late 2006, Honduras received an additional USD 1.3 billion in debt relief from the InterAmerican Development Bank, adding to the USD 2.8 billion in pledged debt relief from bilateral and multi-lateral donors received in July 2005. The GOH estimates this will eliminate debt service payments of USD 212 million per year. The GOH has committed to applying these funds to poverty alleviation, as laid out in the existing Poverty Reduction Strategy, but execution of these programs has been well below expectations, even while current spending on subsidies and other non-productive programs has increased significantly.

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USAID Programs  
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139. (SBU) USAID's FY 2007 budget for Honduras is USD 38.8 million. The USAID Central America and Mexico Regional Strategy focuses bilateral and regional USAID investment on the three performance arenas of Ruling Justly, Economic Freedom, and Investing in People and is closely aligned with the goals of the MCC. USAID supports the Ruling Justly objective by increasing the responsiveness and accountability of public institutions, while also building on successful municipal development programs to create better models for governance, justice reforms, and transparency and participation. In the arena of Economic Freedom, there is a concerted focus on trade policy and support to Honduras in complying with the requirements of CAFTA. USAID strives to bridge agricultural production in rural areas with relatively higher value processing and marketing enterprises in urban centers. The integrated natural resource management program emphasizes sustainable land and water-use, biodiversity, and reduced disaster vulnerability. Also, to support the Investing in People objective, the health program aims to improve reproductive health, family planning, child survival, prevention of HIV/AIDS, and household food security. Alternative delivery systems, support for the multi-donor Education for All/Fast Track Initiatives, and implementation of the Centers for Excellence in Teacher Training Presidential Initiative develop a better-educated Honduran work force through expanded access and improved quality at the pre-school, middle school, and upper secondary levels (grades 10-11). USAID is also assisting GOH efforts to develop quality education standards, testing, and evaluation.

140. (U) USAID's integrated food security program addresses the multiple causes and effects of food shortages and nutritional deficiencies in some of the poorest communities in Honduras. It provides community-based maternal and child health care, improved agricultural productivity and marketing, construction of rural roads and water systems, improved natural resource management, and increased transparency and efficiency of municipal governments.

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Consular Issues  
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141. (U) The population of Honduras is approximately seven million. The GOH estimates that approximately one million

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Hondurans, about 600,000 of whom are undocumented, live in the U.S., a fact that places immigration issues high on the bilateral agenda. Combating alien smuggling and trafficking in persons are top priorities. Approximately 78,000 of these Hondurans currently enjoy Temporary Protected Status (TPS), which was granted to some Hondurans who were in the United States illegally at the time of Hurricane Mitch in 1998. In mid 2006, the Department of Homeland Security extended TPS

for these Hondurans until July 2007, a move that the GOH deeply appreciated. Further renewal of TPS is a key foreign policy objective of the Zelaya Administration and the National Congress. Most Honduran interlocutors can be expected to press Secretary Chertoff and the Members of Congress for renewal. The GOH is also very interested in any possible U.S. Congressional action on immigration reform, particularly temporary work permit proposals.

¶42. (SBU) The GOH has worked closely with the USG to expedite the issuance of travel documents to facilitate the removal of Hondurans who have illegally entered the U.S. Recently, however, some Honduran political figures, including members of the Congress, have been urging the USG to stop all deportations. The GOH has been planning to expand permission for Justice Prisoner and Alien Transport System (JPATS) deportation flights to land in San Pedro Sula in addition to Tegucigalpa. Implementation of this plan depends upon opening a reception and reintegration center in San Pedro, but intermittent talks between the GOH and DHS over the past year have been fruitless.

¶43. (U) With approximately 15,000 American citizens residing in Honduras (including American citizens that also hold Honduran citizenship) and many thousands visiting Honduras annually for tourism, missionary work, and business, American Citizen Services are a key part of the Embassy's work. Since 1995, there have been 56 American Citizen victims of homicide; six of these have occurred in the past year. There was not much progress on most of these cases until 2003, but there have now been 28 convictions in 16 cases, and six cases have been closed. Better coordination among the investigative police, prosecutors, and the Embassy has revived investigations into several previously cold cases. Some progress has been made on extradition cases involving American citizens residing in Honduras who are wanted for felonies in the United States. In September 2005, the USG extradited a Honduran wanted for major financial fraud in Honduras. (The Honduran constitution bars the extradition of Honduran nationals.)

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Embassy Tegucigalpa  
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¶44. (SBU) Embassy Tegucigalpa is a medium-sized post, employing approximately 119 U.S. citizens and 320 Locally Employed Staff (mostly Hondurans) among 14 USG agencies. The Peace Corps program, with approximately 192 volunteers, is one of the world's largest. The Mission maintains a Consular Agent in Honduras' second largest city and industrial center, San Pedro Sula.

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